



TASK FORCE

RECOMMENDATIONS

GOVERNOR'S BLUE RIBBON TELECOMMUNICATIONS TASK FORCE

To encourage the transition to a robust, competitive, telecommunications marketplace, and to remove barriers to competition and disincentives to investment in telecommunication deployment and use, the Governor's Blue Ribbon Telecommunications Task Force (BRTF) has developed recommendations regarding:

Universal Access Program. A Universal Access Program would allow access to advanced services for schools, libraries, and rural healthcare providers; and provide universal access to all Montanans. It is recommended by the BRTF that funding be provided for this program to cover the 1997-99 biennium. Funding for the Universal Access Program would be based on the retail revenues for all intrastate telecommunications services as defined in 15-53-101(6) MCA. The Public Service Commission (PSC) would administer this program.

Universal Service Fund. The BRTF recommends that the Montana PSC review federal implementation of the Federal Act, evaluate the impact of federal funds for universal service and access goals in Montana, and draft legislation for the establishment of a state universal service fund. This should be completed for the 1999 legislative session if necessary and meet state telecommunication goals.

Interconnection. The BRTF recommends that the PSC be given authority to mediate, arbitrate, and approve negotiated agreements of interconnection between providers in a competitive market. The current statutes requiring resolution by state district court eminent domain proceedings should be repealed.

Dispute Resolution. As local competition becomes a reality in Montana, the need for interconnection arrangements between providers will increase. Issues between companies regarding interconnection terms and rates will certainly occur. The process of litigation to resolve conflicts is not the best solution to settling these issues. As more providers participate in the local markets, the need for an efficient, cost effective process to resolve conflicts will be increasingly important. The Montana PSC is the most logical entity to resolve issues upon which parties cannot reach a negotiated agreement. This



would be consistent with the Federal Act. Negotiation of interconnection agreements should be between the parties. If the parties are unable to reach an agreement, the procedure for dispute resolution included in the Federal Act should be adopted for Montana. Mediation/arbitration by the PSC should be implemented under a uniform set of standards and procedures.

Registration. Telecommunication providers should be required to register with the Montana PSC and/or the Montana Department of Revenue (DOR) prior to conducting business in the state, to monitor the development of competition and to facilitate the administration of telecommunication taxation.

Definition of Telecommunication Providers. It is recommended that as part of the final draft of legislation, the Legislative Committee consult with personnel at the Montana DOR and research the Federal Act to define "telecommunications provider."

Promotions. The BRTF recommends that 69-3-305(5) MCA be amended to allow more flexibility in offering promotions.

Competitive Rates. The Montana PSC should move quickly to examine any non-cost based differential (taking into account any explicit Universal Service Funding) between residence and business prices, and rates for other services such as toll and access to reflect underlying cost structures. This will promote fair competition, encourage investment, and protect consumers from potentially greater price increases in the long run. Regulated providers should quickly seek any necessary adjustments by filing an application with the PSC. The Montana PSC may elect to implement any necessary rate changes in approximately equal steps during a transition period not to exceed three years. The Local Exchange Providers may file applications which seek the above adjustments in a manner which does not affect the earning of the provider, and the PSC shall expeditiously render a decision based on the merits of such application. The PSC retains its jurisdiction to pursue earning investigations, and therefore, has remedies for perceived excess earnings during the transition period.

Capital Recovery. The emerging competitive marketplace will force the rapid introduction of new technologies. As a result, current depreciation lives must be reviewed to ensure that they provide the recovery necessary to encourage the deployment of new technologies in Montana. In establishing depreciation rates, the Montana PSC must ensure that regulated companies have an opportunity for timely recovery of their capital investments in this competitive marketplace. While depreciation and capital recovery practices may differ initially between existing providers and new entrants, the PSC, when establishing new depreciation rates, must use forward-looking competitive market lives similar to those used by competitive telecommunication providers.

Resale. Montana should implement policies on Resale consistent with the Federal Act and FCC rules. Services that are available for resale at a discounted rate do not include carrier access services. Wholesale services will only be available to telecommunication carriers for the purpose of selling those services to the carrier's customers. They cannot be purchased for predominantly internal use. Consistent with the Federal Act, Section 251 (c)(4)(B), resale between categories of customers is prohibited until the Montana PSC eliminates any pricing disparity for the same service offered to different categories of customers. For example, residential services may not be resold to business customers. Any explicit Universal Service support to a specific category of customers may not be



redistributed to another category of customer, through resale. Lifeline and other means-tested service offerings can only be resold to customers who qualify for the service. Resale will be limited to retail products or services made available by a provider to end user customers.

Cost/Price Relationships. The PSC is responsible for ensuring that prices for regulated telecommunications services are above relevant costs to prevent cross subsidization and predatory pricing. During the transition to local competition, the PSC and providers are encouraged to review and remove any implicit subsidies and any other government imposed mandates or restrictions which inhibit competition.

Unbundling. Montana should implement policies on unbundling consistent with the Federal Act and with FCC rules. (Reference Telecommunications Act of 1996) Network unbundling should proceed, under the jurisdiction of the FCC and PSC, at a reasonable speed based on demonstrated demand.

Interconnection. Interconnection is an integral part of the Federal Act as interconnection of competing local exchange networks is an essential element in the development of a fully competitive local market. Montana should implement policies on interconnection consistent with the Federal Act and FCC rules.

Regulation. Government policies, statutes, rules, and regulations should encourage competition on a neutral basis and should neither competitively advantage nor disadvantage any telecommunications provider. The PSC is encouraged to consider the benefits of moving from rate of return regulation to alternative forms such as price regulation. Competition will not occur ubiquitously nor simultaneously across the full spectrum of services for the full body of customers. Some customers will continue to require protection during the transition to a fully competitive market.

Competitive Parity — Taxation. The BRTF recommends that participants in the telecommunications industry should be taxed on an equivalent basis with one another. The telecommunications industry should be taxed in the same manner and at the same level as other commercial industrial businesses. Telecommunication taxes should be easy to administer and collect, and compliance should also be easy.

Dialing Parity. The ability for customers to route their telecommunications to the provider of their choice without the need to dial extra codes is an important element in the development of a fully competitive telecommunications market in Montana. The goal is to assure that dialing parity is available to all providers of telephone exchange and toll services in Montana. The PSC should move forward in developing necessary rules to allow implementation in Montana consistent with the terms of the Federal Act.

Review of Definitions. The definitions of basic and advanced universal service and access are evolving standards. These definitions should be reviewed prior to each regular legislative session by the Montana PSC and a report developed, listing any recommendations, and sent to the Governor and the legislature.

Access Policy. It is the policy of the State of Montana that access to advanced telecommunication and information services which are available in urban areas of the state shall also be available to rural areas of the state to the extent that is technically



feasible and economically reasonable.

Advanced Telecommunications. Advanced telecommunications services are currently defined as high speed (56K and above), dedicated and/or switched, broadband telecommunication capability that enables users to originate and receive high quality voice, data, graphics, and video telecommunications using any technology.

Number Portability Policy. Number portability— the ability of customers to retain their telephone number when they switch providers within their local exchange area is an important element in the development of fully competitive local exchange markets. Number portability should be provided, to the extent technically feasible, in accordance with the requirements prescribed by the FCC. The costs to implement number portability should be borne by all telecommunication providers on a competitively neutral basis. Rural Local Exchange Carriers may petition for exemption of this requirement under the Federal Act.

Universal Access Definition. Universal Access is the policy of ensuring that all Montanans have access to advanced telecommunications technologies. In order to make access available to all citizens, an information safety net must be established whereby these services would, at a minimum, be available through a library, school, or other public institution in every community in the state.



Universal Service Goal. The goal is to make "basic" telecommunications services available at reasonable prices to all Montanans.

Basic Service Elements.

- ▲ One party service.
- ▲ Voice-grade line capable of carrying data.
- ▲ Touch-tone.
- ▲ Equal access to long distance carriers.
- ▲ Access to Telephone Relay Systems for the hearing- or speech-disabled customers and other federal mandates.
- ▲ Access to emergency services.
- ▲ Access to directory service.

